

## Market Commentary

## All NYMEX | Prior Settlements

**Recap:** The oil market fell close to \$5, the largest drop in oil prices since November 30<sup>th</sup> when the Omicron variant spooked the market. The market sold off sharply after Russia said some troops near Ukraine were returning to their permanent bases following military exercises. While the market was well supported on Monday amid U.S. warning that an invasion may be imminent, Russia's President, Vladimir Putin, on Tuesday said talks with German Chancellor, Olaf Scholz, could be the basis of further discussions. Russia's Foreign Minister, Sergei Lavrov, also said diplomatic efforts would succeed in easing the situation. The market which is holding on to every word in the standoff, traded from an overnight high of \$95.17 to a low of \$90.66, extending its losses to \$4.80 by mid-morning. The market however, bounced off its low and retraced some of its earlier losses and settled in a sideways trading pattern as the market looked for further direction from the next headline. The March WTI contract settled down \$3.39 or 3.55% at \$92.07, while the April Brent contract settled down \$3.20 or 3.32% at \$93.28. The product markets also saw posted sharp losses, with the heating oil market settling down 10.23 cents at \$2.8595 and the RB market settling down 11.03 cents at \$2.6691.

**Market Outlook:** The market, which retraced almost 38% of its move from a low of \$81.90 to a high of \$95.82, will remain driven by the headlines concerning the Russia-Ukraine crisis. On Tuesday afternoon, U.S. President Joe Biden said that a Russian attack on Ukraine remains a possibility and reports that some Russian forces have moved away from the Ukraine border have not yet been verified by the United States. The market will also look to the weekly inventory report for further direction, although any news on the Russian-Ukrainian situation will likely supersede the report's impact on the market. The market is seen finding resistance at its high of \$95.17, \$95.82 and \$98.12, basis an upward trendline. Meanwhile, support is seen at its low of \$90.66 followed by 90.50, its 38% retracement level, and \$90.38, basis a trendline. More distant support is seen at \$89.19, \$89.03, \$88.85, its 50% retracement level, \$88.41 and \$87.20, its 62% retracement level.

**Fundamental News:** An upward revision in historical oil demand by the International Energy Agency in its monthly report points to a tighter global market than the agency had previously estimated. The IEA on Friday revised up its baseline estimate of global demand by nearly 800,000 bpd, just under 1% of the 100 million bpd global oil market, after reassessing the petrochemicals demand in China and Saudi Arabia back to 2007. The IEA said the revision helped explain the historical difference between observed and implied inventory changes. The change also indicates demand for oil just about recovered to a pre-pandemic high of 100.3 million bpd in the fourth quarter, closer than in the previous forecast. A full demand rebound is still expected in the third quarter of 2022.

Iran's Foreign Minister, Hossein Amirabdollahian, said a nuclear deal is within reach if the West is realistic.

Commerzbank revised its oil price forecast for the first half of the year significantly upwards but still expects prices to decline over the course of the year. The main reason for the revision is the sharp increase in the risk premium due to the Russia-Ukraine conflict, which is likely to recede only slowly. It said that in the event of a Russian invasion of Ukraine, the price of Brent crude is likely to increase significantly over the \$100/barrel level, at least temporarily. Commerzbank said the price of WTI crude should trade at a \$3/barrel discount to Brent for the year.

Citi Research said negotiations between Iran and world powers appear to be moving towards an agreement that would allow the restart of 500,000 bpd in April-May. Flows may then increase by 1.3 million bpd by year end if a deal is reached.

**Early Market Call - as of 8:35 AM EDT**

WTI - Mar \$93.45, up \$1.39

RBOB - Mar \$2.6874, up 1.83 cents

HO - Mar \$2.8813, up 2.18 cents

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Mar-22	2.8595	-0.1023	0.0669
Apr-22	2.7643	-0.0862	0.0667
May-22	2.6909	-0.0804	0.0532
Jun-22	2.6409	-0.0768	0.0419
Jul-22	2.6107	-0.0744	0.0360
Aug-22	2.5926	-0.0732	0.0321
Sep-22	2.5855	-0.0718	0.0250
Oct-22	2.5771	-0.0707	0.0283
Nov-22	2.5651	-0.0694	0.0250
Dec-22	2.5511	-0.0680	0.0225
Jan-23	2.5373	-0.0670	0.0203
Feb-23	2.5195	-0.0662	0.0193
Mar-23	2.4986	-0.0654	0.0195
Apr-23	2.4736	-0.0641	0.0195
May-23	2.4541	-0.0631	0.0200
Jun-23	2.4391	-0.0610	0.0210
Jul-23	2.4318	-0.0596	0.0227

Sprague HeatCurve October 2022-April 2023		\$2.5308	
		Close	Change
Crude - WTI	Apr Brent- WTI Spread \$3.07	\$90.2100	-\$3.2900
Crude - Brent		\$93.2800	-\$3.2000
Natural Gas		\$4.3060	\$0.1110
Gasoline		\$2.6691	-\$0.1103

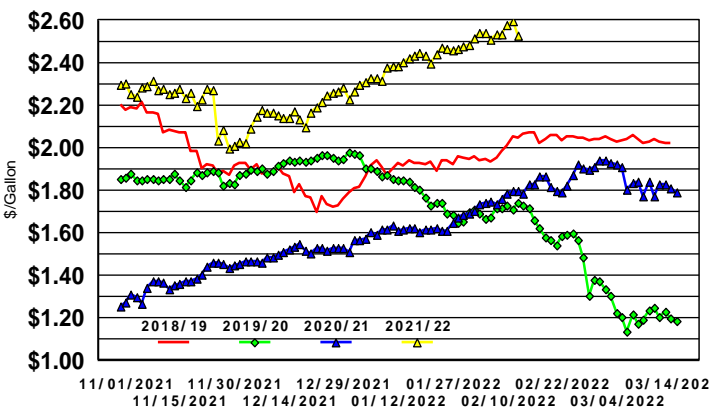
### API Report for the Week Ending February 11, 2022

	Actual	Mkt Expectations
Crude Oil Stocks(exl SPR)	Down 1.1 million barrels	Down 1.6 million barrels
Cushing, OK Crude Stocks	Down 2.4 million barrels	
Gasoline Stocks	Down 900,000 barrels	Up 500,000 barrels
Distillate Stocks	Down 500,000 barrels	Down 1.5 million barrels
Refinery Runs		Down 0.7%, 87.5%

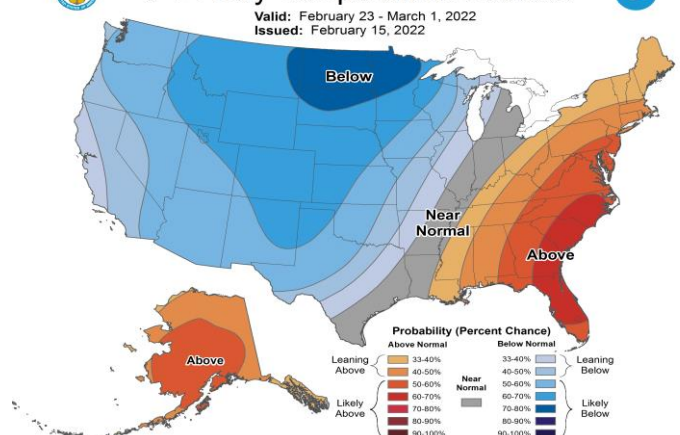
## Sprague HeatCurve

## 8-14 Day Weather Forecast

Sprague HeatCurve October-April



8-14 Day Temperature Outlook



This market update is provided for information purposes only and is not intended as advice on any transaction nor is it a solicitation to buy or sell commodities. Sprague makes no representations or warranties with respect to the contents of such news, including, without limitation, its accuracy and completeness, and Sprague shall not be responsible for the consequence or reliance upon any opinions, statements, projections and analyses presented herein or for any omission or error in fact.